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DEPARTMENT OF ENERGY FOR DEPUTY SECRETARY SELL
STATE PASS TO USTR FOR AMBASSADOR BHATIA

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SUBJECT: WELCOME TO MALAYSIA'S 50TH ANNIVERSARY CELEBRATION

1. (U) Welcome to Malaysia and its golden independence anniversary. Our fifty-year relationship with Malaysia is strong and growing. As President Bush has said: "The United States and Malaysia share strong trade and investment ties and a commitment to generating prosperity through openness, democracy, and freedom." President Bush and Malaysia's Prime Minister Abdullah Badawi have met three times since 2004, most recently in New York in September 2006, and their direct communications, including letters and phone calls, are a testament to our relationship. Now as Malaysia celebrates the 50th anniversary of its independence from Great Britain, we have much to remember and much to anticipate in the years ahead.

Malaysia Celebrates 50 Years of Independence

2. (U) Popularly known as "Merdeka," Malaysia's Independence Day is celebrated on August 31, commemorating that date in 1957 when Malaysia gained its sovereignty after years of British colonial rule. Literally translated "Merdeka" means "Independent" rather than "Independence," but it arises from rally calls of pre-independence political movements in the 1940s and 50s which championed the call for independence with frequent chants and slogans of "Merdeka!"

3. (U) Malaysia's road to independence began immediately following the Second World War as popular sentiment for independence swelled and British imperialism began to retract. The territories of peninsular Malaysia joined together to form the Federation of Malaya in 1948 and eventually negotiated independence from the British in 1957. A British-educated Malay aristocrat, Tunku Abdul Rahman, became the first prime minister and is revered as the father of the country. In 1963 the British colonies of Singapore, Sarawak, and Sabah joined the Federation, and for the first time the country adopted the name Malaysia. Singapore's membership was short-lived, however, and in 1965 it left the federation to become an independent republic.

4. (U) The United States was one of the first 16 nations to recognize immediately Malaysia's independence, and we have shared formal diplomatic relations since Malaysia's first day of independence. For its 50th anniversary, Malaysia has extended special invitations to all 16 of these countries, along with its Southeast Asian neighbors. Malaysia's embassy to the United States was among the country's first diplomatic posts, and today Malaysia also has consulates in New York City and in Los Angeles.

5. (U) As Malaysia celebrates its 50th anniversary of independence, foreign dignitaries from around the world will join in celebrating and congratulating Malaysia on its first fifty years of extraordinary economic and social development.

Heads of state from most Association of Southeast Asian Nations (ASEAN) states will be in attendance, as well as members of various royal families from the region. The United Kingdom, with its special colonial legacy, will be represented by Prince Andrew, the Duke of York.

Malaysia's Government

¶6. (U) Malaysia is a constitutional monarchy, nominally headed by the Yang di-Pertuan Agong, customarily referred to as the King. Kings are selected for five-year terms from among the nine sultans of the peninsular Malaysian states. The king also is the titular leader of the Islamic faith in Malaysia. The King and Queen will host you and other foreign delegations for a high tea on August 31.

¶7. (U) Executive power is vested in the cabinet led by the prime minister; the Malaysian constitution stipulates that the prime minister must be a member of the lower house of parliament who, in the opinion of the Yang di-Pertuan Agong, commands a majority in parliament. The cabinet is chosen from among members of both houses of parliament and is responsible to that body. Malaysia's predominant political party, the United Malays National Organization (UMNO), has held power in coalition with other parties since independence in 1957. Prime Minister Abdullah Badawi assumed his executive role in 2003, taking over from his long-serving predecessor Mahathir Mohamad. The Deputy Prime Minister is Najib Tun Razak. Both the Prime Minister and Deputy Prime Minister will be at all official events on August 31.

¶8. (U) The bicameral parliament consists of the Senate (Dewan Negara) and the House of Representatives (Dewan Rakyat). All 70 Senate members sit for three-year terms, which are normally extended for an additional three years; 26 are elected by the 13 state assemblies, and 44 are appointed by the king on advice of the Prime Minister. Representatives of the House are elected from single-member districts by universal adult suffrage. The 219 members of the House of Representatives are elected to parliamentary terms lasting up to 5 years. Legislative power is divided between federal and state legislatures. The Prime Minister need not call the next national poll until 2009, but most people expect the election to be held within the next three to seven months.

People to People Ties

¶9. (U) The United States and Malaysia share wide-ranging interests and strong people-to-people ties. At any one time there are about 7,000 Malaysian students in the U.S. at a range of universities and colleges from the Massachusetts Institute of Technology to Indiana State to the University of California. Even the Deputy Prime Minister's children are studying at U.S. universities. These Malaysian students graduate and return to Malaysia, going on to play critical roles in Malaysian government, economy, and society. They form a core of people dedicated to furthering U.S.-Malaysian understanding. Similarly, American businesses, tourists, and students ensure a steady flow of thousands of Americans to East and West Malaysia each year, continually fostering our close cultural and business contacts. With large minorities of ethnic Chinese and Indians, and ethnic groups in Borneo, Malaysia, like the United States, is a diverse, multi-racial society. Malaysia is proud of its record of maintaining inter-ethnic harmony throughout most of its history.

¶10. (U) In a gesture of friendship, the Malaysian government donated \$1 million for Hurricane Katrina relief operations. Earlier this year, the United States provided a modest donation to the Malaysian Red Crescent society to help Malaysians cope with massive flooding. Last month, a U.S. Navy helicopter took part in a search and rescue operation for a Malaysian military helicopter that crashed in mountainous terrain.

Malaysia's Regional and Global Role

¶11. (U) Malaysia currently chairs the Organization of the Islamic Conference (OIC), and sits on the leadership troika of the Non-Aligned Movement (NAM) as the most recent past president. Malaysia is also a current member of the U.N. Human Rights Council. Malaysia is an active member of the Asia Pacific Economic Cooperation (APEC) and a founding member of the Association of Southeast Asian Nations (ASEAN).

Malaysia has been an active player in UN peacekeeping operations since the early 1960s and now has over 360 soldiers assigned to the UN peacekeeping operation in Lebanon. Malaysia is currently facilitating negotiations between the Philippine Government and the Moro Islamic Liberation Front and is working with the Government of Thailand to help foster peace in restive Southern Thailand. Indeed, Malaysia is an important player in securing regional and international security.

A Robust Economic Partnership

¶12. (U) The Malaysian and American economies are closely linked. America has been Malaysia's top trade partner since 1999, and Malaysia is the 10th largest trade partner for the United States. Two-way bilateral trade totaled \$49 billion in 2006. Additionally, the United States was the second largest foreign investor in Malaysia in 2006, and was the leading investor for many years before that. American companies are particularly active in the energy, electronics and manufacturing sectors, with the oil and gas sector being Malaysia's top recipient of foreign direct investment. Exxon-Mobil, Murphy Oil, Conoco-Phillips, Dell, Intel, Microsoft, General Electric and Western Digital all have substantial business interests in Malaysia. The United States launched free trade negotiations with Malaysia in mid-2006; five rounds have been held to date.

Energy Sector

¶13. (U) The Malaysian federal government holds the rights to the nation's petroleum reserves through its national company PETRONAS (Petroleum Nasional Berhad), established in 1974 to execute, oversee, and chart the course of development of the sector. Malaysia's oil output has grown from 80,000 barrels per day (bbl/d) in 1974 to approximately 798,000 bbl/d today.

Malaysia's first deepwater oil field, Kikeh, is on track to begin production by September 30. It is expected to add another 40,000 bbl/d within the first year of production and be ramped up to 120,000 bbl/d after one year. The field also is expected to produce 120 million cubic feet per day of natural gas. The Kikeh development is an 80:20 joint venture between Murphy Oil and PETRONAS.

¶14. (U) Malaysian production of liquid natural gas (LNG) continues to grow, with the nation now ranking as the world's third largest exporter. In 2005, Malaysia exported 21.2 million metric tons of LNG. U.S. petroleum companies operating in Malaysia are ExxonMobil, Murphy Oil, ConocoPhillips, and Hess, with Hess operating in the Joint Development Area between Malaysia and Thailand.

¶15. (U) Petronas contributes approximately 40 percent of the federal government's revenue. According to Oil & Gas Journal, Malaysian proven oil reserves have dropped from 4.6 billion barrels in 1996 to 3.0 billion as of January 2007. Proven gas reserves are 75 trillion cubic feet. As production tapers off from offshore wells in shallow waters, Petronas is focusing more on Malaysia's gas reserves and internationally with operations in 29 countries.

A Strong Security Partner

¶16. (SBU) Malaysian leaders have taken a strong stance against terrorism and the United States is working closely with the Malaysian Government to fight this global scourge.

Malaysia recently cemented its nonproliferation commitment by signing the International Atomic Energy Agency Additional Protocol and has sent observers to Proliferation Security Initiative exercises. The United States and Malaysia also share a strong military-to-military relationship with numerous exchanges, training, joint exercises and visits. Although we are not allies, the U.S. and Malaysia collaborate closely in the military sphere. The U.S. spends about one million dollars a year to train Malaysian military personnel, and U.S. military personnel train in Malaysia's jungle warfare training center. Our militaries also conduct a series of bilateral exercises in the area during the year. During your visit, the USS Kitty Hawk carrier group will also be visiting the Kuala Lumpur area on a port call. We have had fifteen US Navy ships visit Malaysia this year and 23 last year. This is up from only 3 ship visits in 2003. Our military-to-military relations have improved further in recent years, and this close relationship greatly contributes to the overall peace and stability of the region.

¶17. (U) We hope you will enjoy your visit to Malaysia. We are sure you will be impressed with the organization and effort Malaysia has put into their golden anniversary. Your participation in the 50th anniversary of Malaysia's independence reinforces the friendship we continue to foster with a strategic Southeast Asian partner.
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